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26 February 1957

MEMORANDUM FOR: Deputy Director/Intelligence

SUBJECT: The Polish Trade Discussion

1. The Chief of the American delegation introduced the discussion with a comment on America's interest in the Polish people and in indication of our need to secure recent information on the direction and interest of the Polish economy to facilitate our participation in the instant discussion.

2. The Chief of the Polish delegation then outlined the general nature of Poland's interest in these discussions. He indicated that the course of the Polish economy since World War II had been one of increasing centralization of industrial control and that this centralization had been the only means by which Poland was able to facilitate its industrial growth. He pointed to the general paucity of Poland's raw material resource base and indicated that only by centralization of industry had Poland been able to secure the raw material resources which she needed. He said that Poland now had fundamentally changed its course and was interested in reducing the element of central authority and of increasing the attention given to the improvement of scales of living throughout the country. Poland would under any program of reducing central control, he said, find it necessary to seek additional imports of raw materials. The

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materials which he specified as crucial to this program were grain and fibers. He said that Poland had eliminated the requirement for compulsory delivery on farmers and as a result would probably be particularly short of these items, and that any industrial transition would require their import.

3. The Polish Chairman specified that Poland expected the United States to offer such commodities under a program of "aid" and on long-term credit. There was no intimation of immediate payment for grain and fiber imports from the United States.

4. The discussion was then turned by the Polish delegate to a consideration of Polish export industries, particularly coal. The Chairman pointed out that the growth of Polish industrial production had been more rapid than the growth of coal production. Thus, Poland had found itself in a situation of declining coal exports and declining holdings of Western foreign exchange. While not specifying that the Polish coal industry needed a great deal of investment to improve productivity in the industry, the Polish Chairman did indicate that the delegation expected the United States to export modern coal-mining machinery to Poland so that she could expand her coal production and her export of coal to Western countries.

5. Speaking to the U.S. Chairman's suggestion of U.S. interest in the current situation and the necessity to have certain questions answered, the Polish Chairman indicated that Poland had nothing to hide and that they intended to answer U.S. questions freely and completely.

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6. The Polish Chairman introduced his remarks by emphasizing the general interest throughout Poland in his mission to the United States, pleading that the agricultural interest, the industrial interest, and particularly the interest of the Polish consumer coincided on the request outlined above. The Polish Chairman began rather nervously but once he introduced their interest in aid and credit, spoke very forthrightly and emphatically. The members of the Polish delegation appeared to be extremely cordial and interested in making a genuine appearance of interest in the success of the program which they outlined.

7. Discussions will proceed from today dealing with major items, an item per meeting. Wednesday, 27 February, will be devoted to the Polish balance of payments situation. United States reaction to the meeting in general raised the question as to whether or not the Polish proposal would generate enough foreign exchange to permit Poland to service and repay the credit extended, assuming even that United States legislation were such as to make possible the extension of the credit in the first instance.

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